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## PORT OF SOUTH LOUISIANA

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED**

April 30, 2006 and 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11-8-06

# **PORT OF SOUTH LOUISIANA**

## **TABLE OF CONTENTS** *April 30, 2006 and 2005*

	<b>PAGE</b>
INDEPENDENT AUDITORS' REPORT .....	<b>I</b>
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	<b>2 - 8</b>
<b>FINANCIAL STATEMENTS</b>	
Balance Sheets .....	<b>9 - 10</b>
Statements of Revenues, Expenses and Changes in Net Assets .....	<b>11 - 13</b>
Statements of Cash Flows .....	<b>14 - 15</b>
Notes to Financial Statements .....	<b>16 - 27</b>

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## INDEPENDENT AUDITORS' REPORT

### THE BOARD OF COMMISSIONERS OF THE PORT OF SOUTH LOUISIANA

We have audited the accompanying financial statements of the Port of South Louisiana as of and for the years ended April 30, 2006 and 2005, as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Port of South Louisiana. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of South Louisiana as of April 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 7 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 18, 2006 on our consideration of the Port of South Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
July 18, 2006

## **PORT OF SOUTH LOUISIANA**

### *Management's Discussion and Analysis*

*April 30, 2006*

This section of the Port of South Louisiana's (the Port) financial report presents a discussion and analysis of the Port's financial performance during the fiscal year that ended April 30, 2006. Please read it in conjunction with the Port's financial statements, which follows this section.

### **FINANCIAL HIGHLIGHTS**

The Port's net assets (assets fully owned with no restrictions) represent approximately 56.0% of total assets of approximately \$129.5 million in 2006. In 2005, the Port's net assets approximated 49.1% of total assets of approximately \$145 million.

The Port had a change in net assets of approximately \$1.1 million for the year ended April 30, 2006 as compared to a change in net assets of \$2.4 million in 2005. In addition, the Port's cash from operating activities was \$1.0 million in 2006 as compared to \$2.0 million in 2005.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the notes to the financial statements.

The financial statements provide both long-term and short-term information about the Port's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Port's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Changes in Net Assets. All assets and liabilities associated with the operation of the Port are included in the Statements of Net Assets.

The Statements of Net Assets report the Port's net assets, which is the difference between its assets and liabilities. Net assets is one way to measure the Port's financial health or position. This increase in the Port's net assets during the year ended April 30, 2006 is an indicator of the Port's efforts in strengthening its financial condition.

# PORT OF SOUTH LOUISIANA

## Management's Discussion and Analysis

April 30, 2006

### FINANCIAL ANALYSIS OF THE PORT

#### Net Assets

The Port's total assets at April 30, 2006 reached approximately \$129.5 million. A change in the composition of assets was the decrease in restricted assets of approximately \$16 million, which was due mainly to payments received on direct financing leases receivable and the retirement of the Cargill bond issue. Property and equipment increased by approximately \$2.9 million, which reflects upgrades to the internal infrastructure at the Globalplex Facility.

Table A-1  
PORT OF SOUTH LOUISIANA  
Balance Sheets  
April 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>	<u>Variance</u>	<u>Percent Variance</u>
<b>ASSETS</b>				
Current assets	\$ 11,950,418	\$ 14,513,889	\$ (2,563,471)	(17.7)%
Restricted assets	54,548,756	70,733,879	(16,185,123)	(22.9)%
Property and equipment, net	63,026,682	60,074,476	2,952,206	4.9 %
Other assets	<u>390</u>	<u>390</u>	<u>0</u>	0.0 %
	<u>\$129,526,246</u>	<u>\$145,322,634</u>	<u>\$(15,796,388)</u>	(10.9)%
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities	\$ 2,254,446	\$ 2,908,188	\$ (653,742)	(22.5)%
Revenue bonds payable from restricted assets	53,449,558	69,554,221	(16,104,663)	(23.2)%
Other noncurrent liabilities	<u>1,336,668</u>	<u>1,516,668</u>	<u>(180,000)</u>	(11.9)%
Total liabilities	57,040,672	73,979,077	(16,938,405)	(22.9)%
<b>NET ASSETS</b>				
Invested in capital assets, net of debt	62,281,682	59,329,476	2,952,206	5.0 %
Restricted	163,661	161,503	2,158	1.3 %
Unrestricted	<u>10,040,231</u>	<u>11,852,578</u>	<u>(1,812,347)</u>	(15.3)%
Total net assets	<u>72,485,574</u>	<u>71,343,557</u>	<u>1,142,017</u>	1.6 %
	<u>\$129,526,246</u>	<u>\$145,322,634</u>	<u>\$(15,796,388)</u>	(10.9)%

## **PORT OF SOUTH LOUISIANA**

### *Management's Discussion and Analysis*

*April 30, 2006*

Current liabilities decreased by approximately \$653,742 due to the retirement of the Cargill bond issue. Revenue bonds payable from restricted assets declined by approximately \$16.1 million to \$53.4 million as of April 30, 2006. This positive decline is a result of pay downs of revenue bonds payable from restricted assets and the retirement of the Cargill bond issue.

Net assets grew by approximately \$1,142,017 million as explained in the following section. Net assets invested in capital assets reflect fixed assets, net of accumulated depreciation, net of debt balance for capital leases. Restricted assets reflect assets restricted by a donor and/or contractual agreements for specific purposes.

### **CHANGE IN NET ASSETS**

The change in net assets for the year ended April 30, 2006 was approximately \$1.1 million as compared to a change in net assets of approximately \$2.4 million for the year ended April 30, 2005. The Port's total operating revenues increased by 2.3% to approximately \$7.8 million. Total operating expenses increased 16.7% to approximately \$8.1 million, which includes approximately \$1.78 million of depreciation expense. The changes in net assets are detailed in Table A-2.

# PORT OF SOUTH LOUISIANA

## Management's Discussion and Analysis

April 30, 2006

Table A-2

### PORT OF SOUTH LOUISIANA

#### Statements of Revenues, Expenses and Changes in Net Assets

April 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>	<u>Variance</u>	<u>Percent Variance</u>
<b>OPERATING REVENUES</b>				
Dockage, net	\$ 2,611,137	\$ 4,168,109	\$(1,556,972)	(37.4)%
Harbor fees, anchorage and barge fleeting	2,934,583	1,918,614	1,015,969	53.0%
Wharfage	796,757	993,989	(197,232)	(19.8)%
Foreign trade zone income	90,000	100,000	(10,000)	(10.0)%
Rentals	1,096,075	329,457	766,618	232.7%
Sheddage and other	<u>253,666</u>	<u>99,707</u>	<u>153,959</u>	154.4%
Total operating revenues	7,782,218	7,609,876	172,342	2.3%
<b>OPERATING EXPENSES</b>				
Salaries and employee benefits	3,158,756	2,851,098	307,658	10.8%
Depreciation	1,777,770	1,626,250	151,520	9.3%
Insurance	701,502	624,584	76,918	12.3%
Maintenance and repairs	447,912	427,660	20,252	4.7%
Port planning and development	424,787	318,243	106,544	33.5%
Administrative and other	<u>1,546,343</u>	<u>1,058,581</u>	<u>487,762</u>	46.1%
Total operating expenses	<u>8,057,070</u>	<u>6,906,416</u>	<u>1,150,654</u>	16.7%
Operating income (loss)	(274,852)	703,460	(978,312)	(139.1)%
<b>NON-OPERATING REVENUE (EXPENSE)</b>	<u>292,897</u>	<u>88,264</u>	<u>204,633</u>	231.8%
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	18,045	791,724	(773,679)	(97.7)%
<b>CAPITAL CONTRIBUTIONS</b>	<u>1,123,972</u>	<u>2,246,717</u>	<u>(1,122,745)</u>	(50.0)%

**PORT OF SOUTH LOUISIANA**  
*Management's Discussion and Analysis - Continued*  
*April 30, 2006*

Table A-2  
**PORT OF SOUTH LOUISIANA**  
**Statements of Revenues, Expenses and Changes in Net Assets (Continued)**  
**April 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>	<u>Variance</u>	<u>Percent Variance</u>
CHANGE IN NET ASSETS BEFORE EXTRAORDINARY ITEM	1,142,017	3,038,441	(1,896,424)	(62.4)%
EXTRAORDINARY ITEM - LOSS ON SETTLEMENT OF WASTE-WATER SYSTEM LITIGATION	<u>-</u>	<u>(603,750)</u>	<u>603,750</u>	(100.0)%
CHANGE IN NET ASSETS	1,142,017	2,434,691	(1,292,674)	(53.1)%
NET ASSETS, BEGINNING OF YEAR	<u>71,343,557</u>	<u>68,908,866</u>	<u>2,434,691</u>	3.5%
NET ASSETS, END OF YEAR	<u>\$72,485,574</u>	<u>\$71,343,557</u>	<u>\$ 1,142,017</u>	1.6%



## **PORT OF SOUTH LOUISIANA**

### *Management's Discussion and Analysis*

*April 30, 2006*

Operating revenues increased by 2.3% to \$7.8 million. This is primarily a result of increased rental activity at the Globalplex terminal's facility warehouse. The increase in rental activity was a direct result of Hurricane Katrina which devastated the Gulf Coast region and the lower Mississippi River Ports on August 29, 2005. The Port was able to sign three long-term leases for warehouses located at its Globalplex facility. Rental income went from \$329,457 in 2005 to \$1,096,075 in 2006. The Port's dockage fees decreased by 37.4%. This decrease is a result of the retirement of two revenue sharing bonds. One was retired in the latter part of fiscal year 2005, which affected all of fiscal year 2006. The other bond issue was retired in the middle of fiscal year 2006. The Port increased its harbor fees, dockage fees and instituted a security fee and this helped to offset the loss in revenue from the bonds.

Operating expenses increased by 16.7% from fiscal year 2005 to 2006. Most of the increases occurred in salary and benefit expenses, insurance expenses, administrative expenses and Port planning and developmental expenses. The salary and benefits increased due to the increase in hospitalization insurance and Civil Service raising the Ports' share of retirement. Insurance premiums rose by 12.3% from fiscal year 2005 to 2006. Administrative expenses increased due to Hurricane Katrina. The Coast Guard, Port of St. Bernard, Port of New Orleans and Port of Plaquemines called upon the Port to increase our river patrols because Hurricane Katrina devastated these organizations. The increase in river patrols caused the Ports' fuel expenses to almost double from fiscal year 2005 to 2006. Port planning and development expenses rose by 33.5% from fiscal year 2005 to 2006. This increase was due to the Port taking a much more aggressive approach to marketing the Ports' jurisdiction. The aggressive approach paid off with the addition of several new tenants in fiscal year 2006.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### *Capital Asset Administration*

The Port's investment in capital assets approximated \$63 million, net of accumulated depreciation. This investment consists principally of land, buildings and docks, equipment, and vehicles. The Port currently has two ongoing construction projects; the construction of a Port Security Patrol vessel and the refurbishing of the Bayou Steel dock.

### *Debt Administration*

The Port's debt consists of bonds payable from restricted assets relating to its direct financing leases with its facility operators, revenue bonds for the Globalplex terminal, and a note payable to St. John the Baptist Parish for a warehouse. The Port also has a long-term payable to the State of Louisiana (the State) related to the Port's purchase of the Globalplex terminal.

## **PORT OF SOUTH LOUISIANA**

*Management's Discussion and Analysis*

*April 30, 2006*

### **CONTACTING THE PORT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our patrons and other interested parties with a general overview of the Port's finances and to demonstrate the Port's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Port of South Louisiana at (985) 652-9278.

# PORT OF SOUTH LOUISIANA

Balance Sheets  
April 30, 2006 and 2005

## ASSETS

	<u>2006</u>	<u>2005</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,257,435	\$ 3,238,464
Certificates of deposit	740,000	540,000
Investments	7,776,783	9,478,791
Accrued interest receivable	1,046	6,548
Accounts receivable, net of \$88,344 and \$88,344 allowance for doubtful accounts	1,161,195	1,237,556
Prepaid expenses and other	<u>13,959</u>	<u>12,530</u>
<b>TOTAL CURRENT ASSETS</b>	<b>11,950,418</b>	<b>14,513,889</b>
<b>RESTRICTED ASSETS</b>		
Cash	30,606	126,324
Cash, held by the State of Louisiana	148,205	148,205
Accrued interest receivable	7,781	11,383
Current portion of direct financing lease payments receivable	745,000	745,000
Accrued interest receivable on direct financing leases	<u>68,088</u>	<u>78,718</u>
<b>Total current restricted assets</b>	<b>999,680</b>	<b>1,109,630</b>
<b>Direct financing leases</b>		
Leases receivable, net of unamortized discounts of \$32,689 and \$45,069	53,533,213	67,459,814
Investments	<u>15,863</u>	<u>2,164,435</u>
<b>Total direct financing leases</b>	<b><u>53,549,076</u></b>	<b><u>69,624,249</u></b>
<b>TOTAL RESTRICTED ASSETS</b>	<b><u>54,548,756</u></b>	<b><u>70,733,879</u></b>
<b>PROPERTY AND EQUIPMENT - NET</b>	<b>63,026,682</b>	<b>60,074,476</b>
<b>OTHER ASSETS</b>	<b><u>390</u></b>	<b><u>390</u></b>
	<b><u>\$129,526,246</u></b>	<b><u>\$145,322,634</u></b>

# PORT OF SOUTH LOUISIANA

Balance Sheets  
April 30, 2006 and 2005

## LIABILITIES AND NET ASSETS

	<u>2006</u>	<u>2005</u>
<b>CURRENT LIABILITIES</b>		
Payable from current assets:		
Accounts payable and other accrued expenses	\$ 637,429	\$ 605,128
Accrued salaries and vacation	252,200	210,018
Current portion of note payable - St. John the Baptist Parish	85,000	78,332
Retainage payable	163,273	215,298
Unearned rent, deposits and other liabilities	<u>181,007</u>	<u>781,257</u>
 TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS	 1,318,909	 1,890,033
 Payable from restricted assets:		
Current portion of industrial revenue bonds payable	745,000	745,000
Accrued bond interest payable	<u>190,537</u>	<u>273,155</u>
 TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	 <u>935,537</u>	 <u>1,018,155</u>
 TOTAL CURRENT LIABILITIES	 2,254,446	 2,908,188
 <b>NONCURRENT LIABILITIES</b>		
Industrial revenue bonds payable from restricted assets net of unamortized discounts of \$40,442 and \$55,779	53,449,558	69,554,221
Other noncurrent liabilities:		
General obligation bond - State of Louisiana	720,000	815,000
Note payable - St. John the Baptist Parish	<u>616,668</u>	<u>701,668</u>
 TOTAL OTHER NONCURRENT LIABILITIES	 <u>1,336,668</u>	 <u>1,516,668</u>
 TOTAL LIABILITIES	 57,040,672	 73,979,077
 <b>COMMITMENTS AND CONTINGENCIES</b>		
 <b>NET ASSETS</b>		
Invested in capital assets, net of debt	62,281,682	59,329,476
Restricted	163,661	161,503
Unrestricted	<u>10,040,231</u>	<u>11,852,578</u>
 TOTAL NET ASSETS	 <u>72,485,574</u>	 <u>71,343,557</u>
	<u>\$129,526,246</u>	<u>\$145,322,634</u>

**PORT OF SOUTH LOUISIANA**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED April 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>OPERATING REVENUES</b>		
Dockage, net	\$ 1,792,971	\$ 3,150,603
Harbor fees, anchorage and barge fleeting income	2,934,583	1,918,614
Foreign trade zone income	90,000	100,000
Rentals	77,631	77,008
Miscellaneous	30,105	33,023
Globalplex revenues:		
Dockage	818,166	1,017,506
Wharfage	796,757	993,989
Rentals	1,018,444	252,449
Sheddage and other	<u>223,561</u>	<u>66,684</u>
<b>TOTAL OPERATING REVENUES</b>	<b>7,782,218</b>	<b>7,609,876</b>
<b>OPERATING EXPENSES</b>		
Administration	19,329	18,993
Auditing	33,276	27,403
Building services	37,332	23,530
Computer software	6,925	13,236
Commission meetings	13,800	12,628
Conventions	77,152	86,221
Delivery charges	5,206	3,297
Depreciation	1,777,770	1,626,250
Dues	19,888	24,082
Employee benefits	975,070	816,376
Engineering fees	203,271	4,831
Equipment rentals	27,507	36,512
Fuel	64,439	35,299
Hurricane Katrina	57,147	-
Insurance	701,502	624,584
Leases of office equipment	2,400	2,400
Legal fees	107,240	179,138
Maintenance and repairs	447,912	427,660
Management services - Globalplex	13,025	16,632

# PORT OF SOUTH LOUISIANA

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - Continued YEARS ENDED April 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>OPERATING EXPENSES (CONTINUED)</b>		
Medical expense	3,042	2,363
Mileage	2,836	4,341
Permits and license fees	15,080	19,755
Port planning and development	424,787	318,243
Postage	7,620	6,093
Printing	3,087	3,305
Professional fees	394,364	194,653
Publishing	7,300	6,392
Salaries	2,183,686	2,034,722
Security	40,208	59,022
Small tools	1,616	2,227
Subscriptions	2,698	5,398
Supplies	63,823	49,903
Telephone	82,814	71,738
Testing	2,784	4,528
Training	8,844	6,822
Unemployment compensation	-	3,408
Uniforms	12,794	11,597
Utilities	<u>209,496</u>	<u>122,834</u>
 TOTAL OPERATING EXPENSES	 <u>8,057,070</u>	 <u>6,906,416</u>
 OPERATING INCOME (LOSS)	 (274,852)	 703,460
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest earned on investments	406,981	230,544
Interest earned on direct financing leases	2,465,580	2,708,092
Interest earned (expense) on restricted asset investment, net of fees	1,073	(6,273)
Interest expense on industrial revenue bonds payable from restricted assets	(2,464,484)	(2,712,436)
Interest expense Globalplex	(115,228)	(131,663)
Trustee fees	<u>(1,025)</u>	<u>-</u>
 TOTAL NONOPERATING REVENUES	 <u>292,897</u>	 <u>88,264</u>

**PORT OF SOUTH LOUISIANA**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - Continued**  
**YEARS ENDED April 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	18,045	791,724
Capital contributions	<u>1,123,972</u>	<u>2,246,717</u>
CHANGE IN NET ASSETS BEFORE EXTRAORDINARY ITEM	1,142,017	3,038,441
Extraordinary Item - Loss on Settlement of Waste Water System Litigation	<u>-</u>	<u>(603,750)</u>
CHANGE IN NET ASSETS	1,142,017	2,434,691
NET ASSETS		
BEGINNING OF YEAR	<u>71,343,557</u>	<u>68,908,866</u>
END OF YEAR	<u>\$72,485,574</u>	<u>\$71,343,557</u>

**PORT OF SOUTH LOUISIANA****STATEMENTS OF CASH FLOWS****YEARS ENDED April 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 7,258,329	\$ 7,255,198
Payments to suppliers	(3,138,654)	(2,446,197)
Payments to employees and related benefits	<u>(3,119,617)</u>	<u>(2,862,420)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,000,058	1,946,581
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments on restricted debt	(16,104,663)	(3,527,108)
Payments on bonds payable	-	(145,000)
Payments on notes payable	(173,332)	(161,667)
Interest paid	(2,547,102)	(2,984,651)
Direct financing leases receivable	13,926,601	(643,198)
Grants receivable	-	385,084
Property acquisitions	<u>(3,722,257)</u>	<u>(2,587,528)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(8,620,753)	(9,664,068)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of investments	3,650,580	4,150,478
Investment income received	<u>2,893,368</u>	<u>2,939,021</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>6,543,948</u>	<u>7,089,499</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,076,747)	(627,988)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>3,512,993</u>	<u>4,140,981</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,436,246</u>	<u>\$ 3,512,993</u>
<b>Cash and cash equivalents include:</b>		
Cash and cash equivalents	\$ 2,257,435	\$ 3,238,464
Restricted assets:		
Restricted cash	30,606	126,324
Cash held by the State of Louisiana	<u>148,205</u>	<u>148,205</u>
Total cash and cash equivalents	<u>\$ 2,436,246</u>	<u>\$ 3,512,993</u>



**PORT OF SOUTH LOUISIANA**  
**STATEMENTS OF CASH FLOWS - Continued**  
**YEARS ENDED April 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (274,852)	\$ 703,460
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities:		
Depreciation	1,777,770	1,626,250
Changes in assets and liabilities:		
Accounts receivable	76,361	(319,318)
Prepaid expenses and other	(1,429)	1,286
Accounts payable	32,301	38,856
Retainage payable	(52,025)	(63,043)
Accrued expenses	42,182	(5,550)
Unearned rent, deposits and other liabilities	<u>(600,250)</u>	<u>(35,360)</u>
Net cash provided by operating activities	<u>\$ 1,000,058</u>	<u>\$ 1,946,581</u>

Noncash Activity: The Port received contributed property from outside sources of \$1,123,972 in 2006 and \$2,246,717 in 2005.

# **PORT OF SOUTH LOUISIANA**

## **NOTES TO FINANCIAL STATEMENTS**

*April 30, 2006 and 2005*

### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Port of South Louisiana (the "Port") is an independent political subdivision of the State of Louisiana, which is authorized by Louisiana Revised Statutes 34:2471. The Port is governed by a Board of Commissioners (the "Board") consisting of seven members appointed for a four-year term as follows:

- The parish presidents, with concurrence of 2/3 of the members of the respective parish councils of each of the parishes of St. Charles, St. James and St. John the Baptist, appoint one resident commissioner each.
- Three resident members (one from each parish) or chief executive officers of a business which is principally operated within each parish are appointed by the Governor of the State of Louisiana.
- One member at-large who shall reside and be domiciled within the geographical boundaries of the Port is appointed by the Governor.

The Board has all the powers and privileges granted to it by the constitution and statutes of the State of Louisiana including, but not limited to, the authority to incur debt, to issue bonds, to construct and maintain wharves and landings, and to charge fees for the use of the wharves and other facilities administered by the Port.

The Port prepares its financial statements in accordance with standards issued by the Governmental Accounting Standards Board (GASB). The Port is reported as a stand-alone entity as defined by Government Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity". The Port is neither fiscally dependent on any other local government, nor does it provide specific financial benefits to or impose specific financial burdens on any other government. No other potential component units meet the criteria for inclusion in the financial statements of the Port.

#### **Basis of Presentation - Fund Accounting**

The Port's operations are accounted for in a proprietary fund type - the enterprise fund. The proprietary fund type is accounted for using the flow of economic resources measurement focus. With this measurement focus all assets and liabilities associated with the operations are included on the balance sheet. Fund equity is segregated into contributed capital and net assets. The operating statement presents increases (revenues) and decreases (expenses) in net total assets.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2006 and 2005*

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

***Basis of Presentation - Fund Accounting (continued)***

The Port's operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. The measurement focus emphasizes the determination of net income. The Port follows the accrual basis of accounting for its proprietary fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Under the provisions of GASB Statement 20, "Accounting and Financial Reporting for Proprietary Fund Accounting", the Port has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Investments and Restricted Assets***

Restricted and unrestricted investments of the Port, substantially all of which have original maturities of one year or less, are recorded at fair value. Fair value is based on quoted market prices.

Restricted assets are deposits received and/or made by the Port prior to payment due to the bondholders on the revenue bonds payables.

***Property and Equipment***

Property constructed or acquired by purchase is stated at cost. Donated property is stated at the estimated fair value on the date received. Depreciation is computed using the straight-line method over the following estimated useful lives.

Dock, barge and other facilities	5 - 50 years
Boats	10 - 30 years
Equipment and furniture	3 - 40 years
Buildings	7 - 40 years

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2006 and 2005*

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

***Property and Equipment*** (continued)

The Port's policy is to capitalize construction period interest, if any. For fixed assets purchased with externally restricted debt, capitalized interest is the difference between interest expense and interest earnings on invested proceeds of the debt. The capitalization period begins with the date of borrowing. Maintenance and repairs are charged to expenses when incurred.

***Long-Term Obligations***

***Limited Obligation Bonds.*** The bond obligations reflected in the balance sheets as payable from restricted assets are industrial revenue bonds issued by the Port in connection with direct financing lease agreements to provide capital for construction of facilities within the three-parish area. Principal and interest are payable solely from revenues derived from the lease, sale or other disposition of the financed facilities. The leases and various other assets are pledged and held by trustees to secure payment of the bonds. These leases are for the term of the bonds and revenues from the leases correspond to payments due on the bonds.

***Contributed Capital and Net Assets***

Contributed capital includes various grants from the State of Louisiana as well as other state and federal departments. Net assets represent the amount of accumulated earnings related since the beginning of operations.

***Compensated Absences***

Employees of the Port are covered by the State of Louisiana civil service regulations and, as such, accumulate sick and annual leave in accordance with varying rates stipulated under these regulations. Upon termination and/or retirement, unused vacation not to exceed 300 hours is paid to the employee at the employee's current rate of pay. At retirement, unused vacation in excess of 300 hours and unused sick leave is considered in computing the years of service for retirement benefit purposes. The Port's liabilities for sick leave of \$718,966 and \$581,587 as of April 30, 2006 and 2005, respectively, have not been accrued because the employees are not entitled to it upon termination.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2006 and 2005*

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

***Post Employment Healthcare and Life Insurance Benefits***

The Port provides certain continuing healthcare and life insurance benefits for its retired employees. Employees become eligible for these benefits if they reach retirement age while working for the Port. The Port recognizes its costs of these benefits as an expense when the premiums become due. The Port's portion of these expenses for the years ended April 30, 2006 and 2005, were \$432,830 and \$336,277, respectively.

***Statements of Cash Flows***

For purposes of the statements of cash flows, cash and cash equivalents consist of demand deposits with banks and money market mutual funds.

**NOTE 2 - CASH AND INVESTMENTS**

***Cash and Cash Equivalents***

At April 30, 2006, the book balance of the Port's total cash and certificates of deposit, including unrestricted deposits totaled \$3,028,041; the bank balance totaled \$3,528,636. Of the bank balance, \$400,000 was covered by federal deposit insurance, \$3,106,293 was covered by collateral held by the bank's agent and pledged in the Port's name, and \$22,343 was unsecured money market deposits. At April 30, 2005, the book balance of the Port's total cash and certificates of deposit, including unrestricted deposits totaled \$3,904,788; the bank balance totaled \$4,602,899. Of the bank balance, \$400,000 was covered by federal deposit insurance, \$3,983,311 was covered by collateral held by the bank's agent and pledged in the Port's name, and \$219,588 were unsecured money market deposits.

**April 30, 2006:**

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Covered by federal depository insurance	\$ 100,000	\$ 300,000	\$ 400,000
Collateralized with securities held by the pledging institution's trust department or agent, in the Port's name	2,666,293	-	2,666,293
Uncollateralized, including securities held by the pledging institution or its agent but not in the Port's name	<u>22,343</u>	<u>440,000</u>	<u>462,343</u>
Total bank balance	<u>\$2,788,636</u>	<u>\$ 740,000</u>	<u>\$ 3,528,636</u>

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2006 and 2005*

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

April 30, 2005:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Covered by federal depository insurance	\$ 200,000	\$ 200,000	\$ 400,000
Collateralized with securities held by the pledging institution's trust department or agent, in the Port's name	3,643,311	-	3,643,311
Uncollateralized, including securities held by the pledging institution or its agent but not in the Port's name	<u>219,588</u>	<u>340,000</u>	<u>559,588</u>
Total bank balance	<u>\$4,062,899</u>	<u>\$ 540,000</u>	<u>\$4,602,899</u>

The following is a breakdown by banking institution and amount of the balances shown above:

<u>Banking Institution</u>	<u>2006 Amount</u>	<u>2005 Amount</u>
1. Chase Bank	\$ -	\$ 424,583
2. Regions	2,766,293	3,418,728
3. Edward Jones	22,343	219,588
4. Community Bank	200,000	150,000
5. First National Bank, USA	390,000	390,000
6. Omni Bank	<u>150,000</u>	<u>0</u>
Total bank balance-all deposits	<u>\$3,528,636</u>	<u>\$4,602,899</u>

**Investments**

The Port may invest idle funds as authorized by Louisiana Statutes, as follows:

- a. United States bonds, treasury notes, certificates, or any other federally insured investment.
- b. Time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana.
- c. Mutual or trust funds, which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2006 and 2005*

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

***Custodial Credit Risk***

Investments can be exposed to custodial credit risk if the securities underlying the investments are uninsured, not registered in the name of the entity, and are either held by the pledging financial institution or the pledging financial institution's trust department or agent, but not in the entity's name.

The Port's investment balances exposed to custodial credit risk (not registered in the entity's name), totalled \$8,343 and \$15,832 in 2006 and 2005, respectively.

All investments are carried at Fair Value.

	<u>2006</u>	<u>2005</u>
Unrestricted investments:		
Mutual funds (U.S. Treasury Obligations)	\$ 729,070	\$ 703,390
Government mortgage-backed securities (GNMAs)	8,343	15,832
Louisiana Asset Management Pool, Inc.	<u>7,039,370</u>	<u>8,759,569</u>
TOTAL CURRENT ASSETS	<u>\$ 7,776,783</u>	<u>\$9,478,791</u>
Restricted investments:		
Mutual funds (U.S. Treasury Obligations)	<u>\$ 15,863</u>	<u>\$2,164,435</u>

Restricted cash of \$148,205 held by the State of Louisiana as of April 30, 2006 and 2005, represents funds held on behalf of the revenue bonds payable.

Investments held at April 30, 2006 and 2005 include \$7,039,370 and \$8,759,569, respectively, in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP at April 30, 2006 and 2005, is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2006 and 2005*

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations". Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1 + commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the State Treasurer and the Board of Directors. LAMP is not registered with the SEC as an investment company.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at April 30:

	2006			
	<u>May 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>April 30, 2006</u>
Land	\$11,232,285	\$ -	\$ -	\$11,232,285
Port buildings and docks	2,124,181	916,534	(39,724)	3,000,991
Globalplex buildings and docks	53,851,989	1,713,738	-	55,565,727
Construction in progress	<u>5,832,676</u>	<u>3,613,321</u>	<u>(1,513,617)</u>	<u>7,932,380</u>
Total property & equipment	73,041,131	6,243,593	(1,553,341)	77,731,383
Accumulated depreciation	<u>(12,966,655)</u>	<u>(1,777,770)</u>	<u>39,724</u>	<u>(14,704,701)</u>
Property & equipment, net	<u>\$60,074,476</u>	<u>\$4,465,823</u>	<u>\$(1,513,617)</u>	<u>\$63,026,682</u>



**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2006 and 2005*

**NOTE 4 - LONG-TERM DEBT**

Long-term debt consists of the following at April 30:

	<u>2006</u>	<u>2005</u>
Bonded debt relating to direct-financing lease	\$54,235,000	\$70,355,000
Bonded debt other than direct-financing lease	720,000	815,000
Notes payable to St. John the Baptist Parish	<u>701,668</u>	<u>780,000</u>
Total	55,656,668	71,950,000
Less current portion	(830,000)	(823,332)
Less discounts	<u>(40,442)</u>	<u>(55,779)</u>
 Total long-term portion	 <u>\$54,786,226</u>	 <u>\$71,070,889</u>

Bonded debt relating to direct-financing leases consists of the following at April 30:

	<u>2006</u>	<u>2005</u>
\$25,000,000 of Industrial Revenue Term Bonds (Series 1991), due in one lump-sum payment at maturity plus variable interest at rates calculated weekly due in monthly installments through July 1, 2021	\$25,000,000	\$25,000,000
\$27,000,000 of Industrial Revenue Term Bonds (Series 1996), due in one lump-sum payment at maturity plus variable interest at rates calculated weekly due in monthly installments through October 1, 2018	27,000,000	27,000,000
\$8,470,000 of Industrial Revenue Bonds (Series 1978), due in annual installments between \$625,000 to \$745,000 through maturity plus varying interest between 6.875% to 7% due in semi-annual installments through September 1, 2008	2,235,000	2,980,000
\$15,375,000 of Industrial Revenue Bonds (Series 1997), due in one lump-sum payment at maturity plus interest at 5.85% due in semi-annual installments with original maturity at April 1, 2017, defeased as of December 31, 2005.	<u>-</u>	<u>15,375,000</u>
Subtotal	54,235,000	70,355,000
Less current portion	(745,000)	(745,000)
Less discount	<u>(40,442)</u>	<u>(55,779)</u>
 Direct financing lease obligations, long-term	 <u>\$53,449,558</u>	 <u>\$69,554,221</u>

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2006 and 2005*

**NOTE 4 - LONG-TERM DEBT (Continued)**

The Port has issued three series of Industrial Revenue Bonds, as of April 30, 2006, as listed previously, to provide for the construction of various dock and wharf facilities within the jurisdiction of the Port. These limited obligation bonds are secured by direct financing leases and assets held in trust and are payable solely from revenues derived by third-party entities. Neither the Port, the State of Louisiana, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

Restricted assets as of April 30, 2006 related to these direct finance leases, totaling \$53,549,076 include \$53,533,213 of leases receivable and \$15,863 of investments. Restricted assets as of April 30, 2005 related to these direct finance leases, totaling \$69,624,249 include \$67,459,814 of leases receivable and \$2,164,435 of investments. The terms for the direct leases receivable are the same as the related bonds.

In accordance with the bond indentures and lease agreements related to these direct financing leases, a percentage, usually 50 to 75 percent of dockage income, is transferred to trustees for servicing bonds payable. Correspondingly, the amount transferred is credited against direct financing lease payments and related interest receivable from the lessees. The net dockage represents dockage available for the operations of the Port. The amount of dockage used to reduce direct financing lease and interest receivable during the years ended April 30, 2006 and 2005 was \$3,198,199 and \$3,438,650, respectively. Such amounts are reported as direct financing lease payments or interest income, as appropriate.

Bonded debt not relating to direct-financing leases consist of the following at April 30:

	<u>2006</u>	<u>2005</u>
\$1,600,000 of General Obligation Bonds (Series 1992A), due in annual installments of \$75,000 to \$140,000 plus varying interest at 6.1% to 6.5% due in semi-annual installments through May 1, 2012 (current portion paid prior to April 30, 2006 and 2005)	<u>\$ 720,000</u>	<u>\$ 815,000</u>

The Port has a note payable to St. John the Baptist Parish relating to the purchase of a building. The original value of the note, dated December 21, 1998, was \$1,345,000. The note is payable in annual installments of \$60,000 to \$130,000, with interest ranging from 3.88% to 4%, due semi-annually through December 31, 2012. As of April 30, 2006 and 2005, the remaining principal balance of the note was \$701,668 and \$780,000.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2006 and 2005*

**NOTE 4 - LONG-TERM DEBT (Continued)**

Debt service requirements, including interest of \$25,913,527, for outstanding bonds and note payable were as follows as of April 30, 2006.

<u>April 30,</u>	<u>Direct Financing Lease</u>	<u>Other Bonded Debt</u>	<u>Note Payable St. John the Baptist Parish</u>	<u>Total</u>
2007	\$ 2,629,175	\$ 46,800	\$ 140,935	\$ 2,816,910
2008	2,577,025	140,300	137,609	2,854,934
2009	2,524,875	143,150	138,934	2,806,959
2010	1,753,800	140,675	139,533	2,034,008
2011	1,753,800	142,550	142,800	2,039,150
Thereafter	<u>68,505,400</u>	<u>279,100</u>	<u>233,734</u>	<u>69,018,234</u>
	<u>\$ 79,744,075</u>	<u>\$ 892,575</u>	<u>\$ 933,545</u>	<u>\$ 81,570,195</u>

**NOTE 5 - DOCKAGE AND HARBOR FEES**

As described in Note 4, net dockage represents dockage available for the operations of the Port. The amount of dockage used to reduce direct financing leases and interest receivable during the years ended April 30, 2006 and 2005 was \$3,198,199 and \$3,438,650, respectively.

Harbor fees are dedicated to the providing of services to the vessels which use the Port and to the facilities located therein in the interest of public welfare and safety. Such funds may be appropriated by the Port for such purposes as to assist in defraying the administration and maintenance of the Port, including the supervision of the shipping of the Port, with the view of preventing collision and fires, policing the river and river front, the operation of one or more craft in the Port to aid vessels or persons in distress, and to aid in extinguishing fires in vessels and equipment and their cargo aboard such vessels, or upon wharves and other facilities of the Port.

**NOTE 6 - CONCENTRATION**

Billings for the two largest facility operators represents 62% of total gross dockage revenues (including dockage that is collected for payment of direct financing leases as described in Note 4) for the year ended April 30, 2006.

**NOTE 7 - COMMITMENTS**

On April 14, 2005, the Port entered into an agreement with one of its facility operators to renovate and install a barge unloader at the Globalplex terminal. The facility operator purchased the used unloader, and the cost to complete the contract will be split equally between the Port and the facility operator. Under the terms of the agreement, effective June 1, 2005, the Port will pay 10% of its dockage receipts not to exceed \$150,000 annually until its \$1,375,000 share of the project cost is paid.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2006 and 2005*

**NOTE 8 - RETIREMENT PLANS**

Substantially all of the Port's employees are required by State law to participate in retirement plans administered by the Louisiana State Employees' Retirement System ("LASERS"), a cost-sharing multiple-employer defined benefit pension plan administered by a separate board of trustees. The LASERS provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute (LRS 42:651; 712; 712.1; 712.3). The LASERS issues a publicly available financial report that includes financial statements and required supplementary information for the LASERS. That report may be obtained by writing to the Louisiana State Employees' Retirement System, P. O. Box 44213, Baton Rouge, Louisiana 70804-4213.

The LASERS is a defined benefit contributory pension plan to which employees contribute 8.0% of their salaries and the Port contributes 19.1% of the employees' salaries toward future benefits.

A member is eligible to retire after at least 10 years of service at age 60, 25 years at age 55, 30 years at any age or after 20 years at any age with a reduced benefit. Effective January 1, 1996, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit. The system does provide for deferred benefits for vested members who terminate before being eligible for retirement. Once a member reaches the appropriate age for retirement, benefits become payable at a rate of 2.5% of average annual compensation for the highest 3 consecutive years of employment multiplied by the number of years of creditable service with certain limitations.

Once an employee has accumulated 10 years of service, disability benefits apply based on the regular benefit formula without age restrictions.

Act 14 of the 1990 Louisiana Legislature provided for a new retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits LASERS members to continue working at their state jobs for up to three years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

Total contributions for the years ended April 30, 2006, 2005 and 2004 were \$285,504, \$247,463 and \$200,557, respectively. These amounts are equal to the required contributions for each of these three years.

**NOTE 9 - CONTINGENCIES**

The Port is a party to other legal proceedings incidental to its business. Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Port. The resolution of these matters is not expected to have a material adverse effect on the financial statements of the Port. While no current liability is recorded, future actions may occur that would affect the Port's liability.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2006 and 2005*

**NOTE 10 - CONDUIT DEBT**

From time to time, the Port has issued Industrial Revenue Bonds to provide assistance for private-sector entities for Port related projects that are deemed to be in the public interest. The Port is not obligated for repayment of the bonds. Accordingly, the bonds are not reported in the accompanying financial statements.

In 1997, the Port issued port facility revenue bonds, due January 1, 2027, for the purpose of financing the cost of acquiring, constructing and installing a project, consisting of certain dock, wharf and related storage facilities, in the amount of \$22,000,000 on behalf of Holcim, Inc. (the Company). The Company is responsible for the payment of these bonds which are secured by an irrevocable letter of credit.

**NOTE 11 - EXTRAORDINARY ITEM**

During 2005, the Port settled an outstanding litigation case alleging damages related to the Globalplex wastewater system which was utilized by Pepsi America in prior years. The settlement was in the amount of \$603,750 and was accrued on the balance sheet as unearned rent, deposits and other liabilities, as the amount had not been paid as of April 30, 2005. The settlement was paid in August 2005. The Port's insurance company, which would have been responsible for payment of this settlement, filed for bankruptcy.

**NOTE 12 - HURRICANE KATRINA**

On August 29, 2005, Hurricane Katrina struck the Greater New Orleans Region, and surrounding areas. The Company did not experience any significant disruption in its operations from the disaster.

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# **PORT OF SOUTH LOUISIANA**

## **SINGLE AUDIT REPORTS**

*April 30, 2006*

# **PORT OF SOUTH LOUISIANA**

## **TABLE OF CONTENTS**

*April 30, 2006*

	<b>PAGE</b>
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	<b>1-2</b>
Independent Auditors' Report on Compliance with Requirements Applicable to the Major Program, on Internal Control over Compliance in Accordance with OMB Circular A-133 and the Schedule of Expenditures of Federal Awards .....	<b>3-4</b>
Schedule of Expenditures of Federal Awards .....	<b>5</b>
Notes to Schedule of Expenditures of Federal Awards .....	<b>6</b>
Schedule of Findings and Questioned Costs .....	<b>7</b>

# *Kushner LaGraize, LLC.*

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Port of South Louisiana

We have audited the financial statements of the Port of South Louisiana (the Port) as of and for the year ended April 30, 2006, and have issued our report thereon dated July 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the Port's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Port's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course



of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information of the Port, the Port's management, the State of Louisiana, the Legislative Auditor's Office, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
July 18, 2006

# *Kushner LaGraize, LLC.*

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Commissioners  
Port of South Louisiana

### **Compliance**

We have audited the compliance of the Port of South Louisiana (the Port) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended April 30, 2006. The Port's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, contracts and grants applicable to its major federal program is the responsibility of the Port's management. Our responsibility is to express an opinion on the Port's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Port's compliance with those requirements.

In our opinion, the Port complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended April 30, 2006.

## **Internal Control Over Compliance**

The management of the Port is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Port's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the Port as of and for the year ended April 30, 2006, and have issued our report thereon dated July 18, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information of the Port, the Port's management, the State of Louisiana, the Legislative Auditor's Office, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
July 18, 2006

## **PORT OF SOUTH LOUISIANA**

### *Schedule of Expenditures of Federal Awards For the Year Ended April 30, 2006*

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Commerce Economic Development Administration: Public Works or Economic Adjustment Assistance Grant	11.300	\$ 762,198
U.S. Department of Homeland Security Port Security Grant Program: Transportation Security Administration Grant	97.056	<u>258,149</u>
Total Federal Awards Expended		<u><u>\$1,020,347</u></u>

## **PORT OF SOUTH LOUISIANA**

### *Notes to Schedule of Expenditures of Federal Awards April 30, 2006*

#### **NOTE 1 - GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of the Port of South Louisiana (the Port). The Port's reporting entity is defined in Note 1 to the financial statements for the year ended April 30, 2006. All federal awards received from federal agencies are included on the schedule.

#### **NOTE 2 - BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Port's financial statements for the year ended April 30, 2006.

#### **NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal awards are included in the statements of revenues, expenses and changes in net assets under Capital Contributions.

# **PORT OF SOUTH LOUISIANA**

## *Schedule of Findings and Questioned Costs For the Year Ended April 30, 2006*

### **I. SUMMARY OF AUDITORS' RESULTS**

- a. The type of report issued on the basic financial statements: unqualified opinion.
- b. Reportable conditions in internal control were disclosed by the audit of the financial statements: none reported; Material weaknesses: no.
- c. Noncompliance which is material to the financial statements: no.
- d. Reportable conditions in internal control over major program: none reported; Material weaknesses: no.
- e. The type of report issued on compliance for major program: unqualified opinion.
- f. Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: no.

- g. Major program:

Grants for Public Works and Economic  
Development Facilities:

Public Works or Economic Adjustment  
Assistance Grant

11.300

- h. Dollar threshold used to distinguish between Type A and Type B programs: \$500,000.
  - i. Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: no.
2. Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards*: none.
3. Findings and Questioned Costs relating to Federal Awards: none.